

**Proposition 218 Notification  
NOTICE OF PUBLIC HEARING  
ON PROPOSED WATER & SEWER RATE INCREASE**

**Description of the Proposed Rate Adjustment**

An increase to the City of Madera Sewer and Water Rate is proposed. The new rate structure covers the period between now and the year 2020. The sewer and water rates are proposed to increase by 4% each year covered under the new rate structure. The new rate structure also proposes to implement a metered rate for water service, and a cost of service model for sewer rates. The potential affects of these changes are described below.

**Why a Rate Adjustment is Needed**

The City is under a state mandated order that all water connections within the City be on a metered rate by 2025. So why increase rates now? As a result of the down turn in the economy the cost of materials (meters) and labor for installation has become very affordable. The cost of borrowing ten million dollars to purchase and install meters throughout the city is the lowest they have been in several years. We have an opportunity to achieve several other goals including water conservation, postponing the need to construct additional water wells at more than \$1 Million each, and have the entire City be on the same rate structure for actual consumption.

The sewer plant recently went through a major upgrade and expansion which was funded through the sale of a bond. The sewer rate structure which is currently in place was established in 2005 to allow the City pay off the debt based on the engineer's estimate of what it would cost to construct the project. The use of sewer fund reserves in conjunction with developer impact fees was anticipated to be the funding package to service the debt. Due to the depressed economy and the lack of development impact fee revenues the City is spending the reserves over a shorter period of time without being replenished. A rate increase is needed to guarantee that there would be sufficient revenues to pay the bond debt service and pay for capital improvements that continue to be needed in the collection system.

## **Basis of the Proposed Rates**

The City is required by State law and City policy to collect revenues sufficient to cover the costs of operating the water and sewer systems. These revenues allow the City to safely and reliably deliver water to the residents and business of Madera, and to convey and treat wastewater generated by the homes and business of the City to protect human health. Costs that must be recovered through rate revenue include utilities (PG&E), equipment and supplies, treatment chemicals, salaries and benefits of water and sewer fund staff. In addition, revenue generated from these rates is used to pay for capital improvements such as new water wells and replacements of sewer and water pipes. Revenues are also used to pay off debt incurred in the process of installing the mandated water meters in the water fund and the expansion of the sewer treatment plant in the sewer fund.

A study by an independent consulting firm concludes that the proposed rates would provide sufficient funds to pay the cost of operations, maintenance, administration, debt service, and capital improvements over the next five to ten years.

## **Water Rate Structure**

The proposed water rates will impact all customers – residential, commercial, and industrial. The majority of customers will notice two kinds of changes as the result of the proposed water rate structure: one dealing with the implementation of water meters, and the second dealing with a rate increase.

### Water Meters

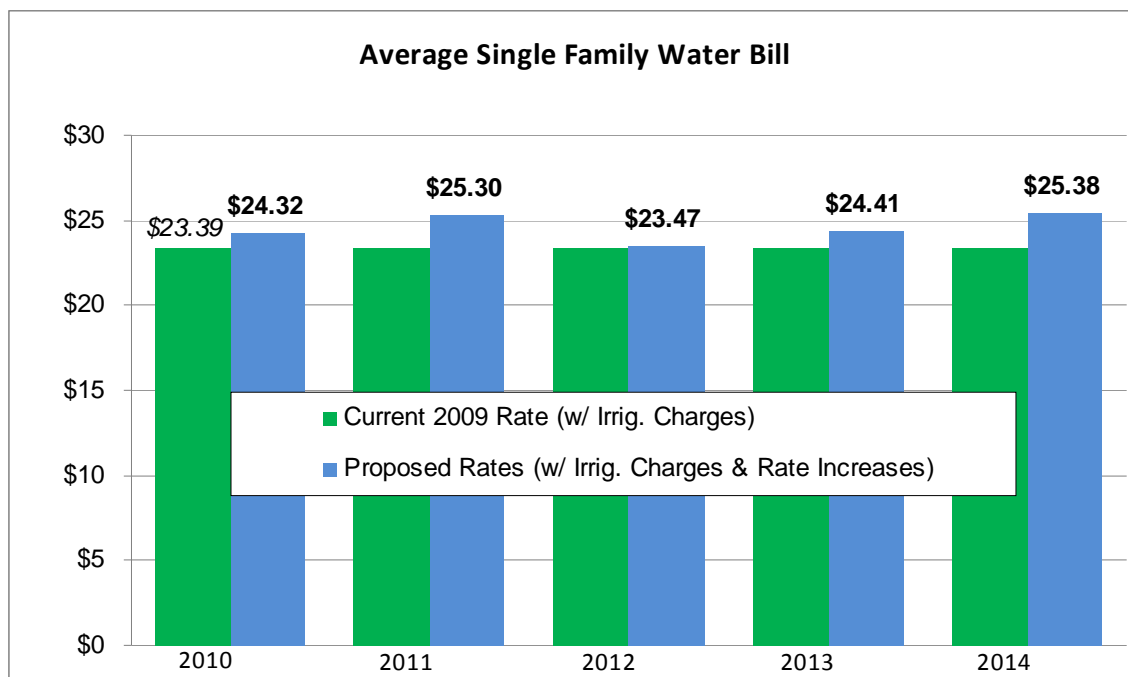
During the first two years after implementation of the proposed water rate structure, water meters will be installed on all homes that do not have a meter and/or multi family units and businesses which currently have an outdated meter. After the meter installation is complete, the City will begin sending out water bills based on the actual amount of water used by each home or business. This is called a “metered rate.” Most businesses are already billed based on how much water they use. For residential customers, the current billing structure which uses a flat rate (plus an irrigation charge based upon the size of the lot) will end.

## Rate Increase

For the first two years after the implementation date for the new rate structure, there will be a 4% increase to the existing flat rate. After the use of the metered rates begin, the charges for water usage will continue to increase 4% per year. A base rate will be charged to all accounts, and then a volume charge will be added for water used over and above 1,800 cubic feet per month. You will only pay for the amount of water you actually use.

After implementation of the proposed water rate structure, the average four person family using 18 hcfm (hundred cubic feet per month) will experience approximately a dollar increase on their water bill. Similar increases would occur each year thereafter, as shown in the chart below. A new billing format will be sent out showing the flat rate currently in place and the new bill based upon either the actual meter reading if a meter is already installed or the average of 18 hcfm per month until a meter has been put into service. Water conservation materials will be sent out with future utility bills explaining ways in which a water bill may be reduced.

### **Proposed Water Rates for the City of Madera**



The third year shows a slight decrease based upon the new average consumption of 18 hcfm. Due to lot size an irrigation charge may be smaller or larger than what is reflected on the graph.

The following table shows the current rates for non metered and metered customers by the year before and after the new rate model goes into effect. A typical single family home will have a one inch meter. Larger meters are for commercial use. It is important to remember that after the new rates become effective the bill will be determined by actual usage.

Rate Structure (a)		Current	Proposed Rates				
		09/10	10/11	11/12	12/13	13/14	14/15
Single-Family Rates			Current Rate Structure		Cost-of-Service Rate Structure (1" Meter, 18 ccf/mo.)		
<b>Single Family - Typical</b>							
<b>Mo. Bill</b>	<i>\$/per customer</i>	<b>\$23.39</b>	<b>\$24.32</b>	<b>\$25.30</b>	<b>\$23.47</b>	<b>\$24.41</b>	<b>\$25.38</b>
Single Family (Flat Rate)	<i>\$/per customer</i>	\$16.73	\$17.40	\$18.10	\$9.18	\$9.54	\$9.93
Irrigation Rate (for lot size > 5,000 sf) <sup>1</sup>	<i>\$/per 100 sf</i>	\$0.24	\$0.25	\$0.26	NA	NA	NA
Volume Charge	<i>\$/ccf</i>	NA	NA	NA	\$0.79	\$0.83	\$0.86
<b>Metered Customers (1" Meter)</b>							
Single Family Residential (Average Consumption)	<i>\$/per customer</i>	\$16.73	\$17.40	\$18.10	\$23.47	\$24.41	\$25.38
<b>Meter Rates</b>							
5/8" Meter	<i>\$/per customer</i>	\$2.82	\$2.93	\$3.05	\$6.57	\$6.83	\$7.11
3/4" Meter	<i>\$/per customer</i>	\$2.82	\$2.93	\$3.05	7.44	\$7.74	\$8.05
1" Meter	<i>\$/per customer</i>	\$2.82	\$2.93	\$3.05	9.18	\$9.54	\$9.93
1 1/2" Meter	<i>\$/per customer</i>	\$2.82	\$2.93	\$3.05	13.52	\$14.06	\$14.63
2" Meter	<i>\$/per customer</i>	\$2.82	\$2.93	\$3.05	18.74	\$19.49	\$20.27
3" Meter	<i>\$/per customer</i>	\$2.82	\$2.93	\$3.05	30.90	\$32.14	\$33.43
4" Meter	<i>\$/per customer</i>	\$2.82	\$2.93	\$3.05	48.29	\$50.22	\$52.23
6" Meter	<i>\$/per customer</i>	\$2.82	\$2.93	\$3.05	91.74	\$95.41	\$99.22
8" Meter	<i>\$/per customer</i>	\$2.82	\$2.93	\$3.05	143.88	\$149.64	\$155.62

## Sewer Rate Structure

The sewer rate will impact all customers. The majority of customers will notice two kinds of changes as the result of the proposed sewer rate structure: one dealing with rate increase, and the second dealing with the implantation of a "cost of service" model.

### Rate Increase

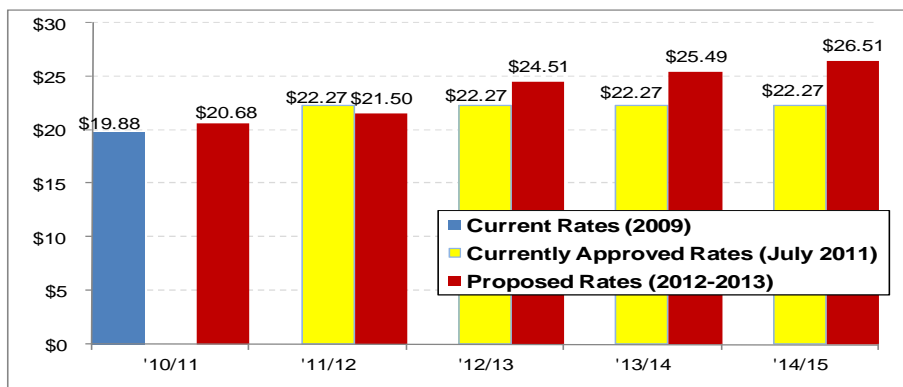
The sewer increase of 12% that was previously approved and scheduled for implementation in July of 2011 will not take place. In lieu of this increase sewer rates, like the water rate, will experience a 4% rate increase each year.

## Cost of Service Model

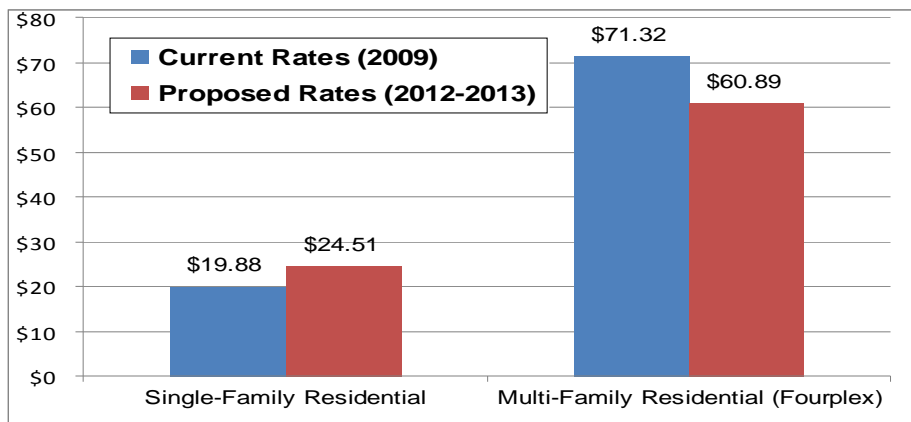
At the beginning of the third year the billing structure will change to a cost of service model. The cost of service model addresses the fact that different customer groups (single family homes, multi-family units, businesses, etc.) create different demands on the sewer system. The rates charged in each customers group should be consistent with the level of demand that they have on the system. Due to the large number of sewer connections, residential customers constitute the largest portion of the sewer plant treatment process. At the beginning of year three of the rate increase, a one time adjustment will take place to match the sewer rates with the demands created by each customer group.

The following graph provides a comparison of the current rate plus the previously approved 12% increase vs. the proposed rate with the small rate increase each year.

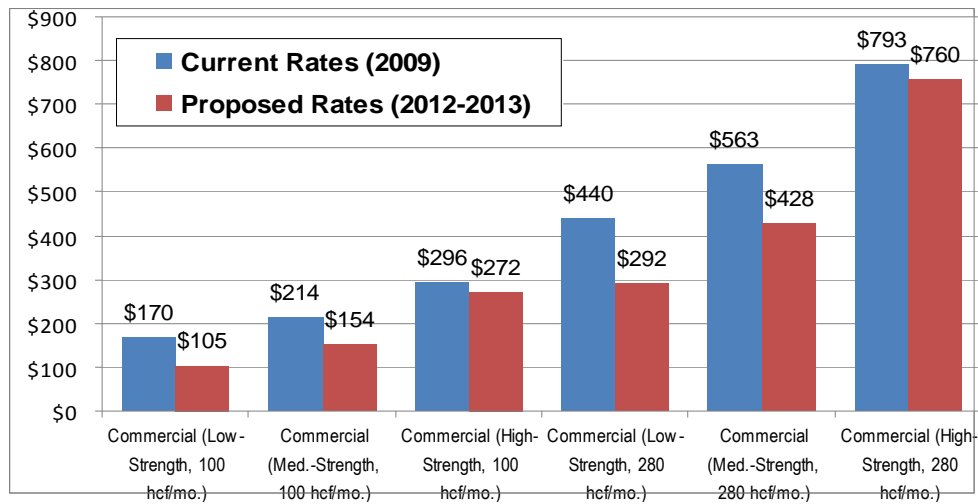
**Proposed Sewer Rates for the City of Madera  
Single Family Residential**



**Single Family vs. Multi Family Comparison**



## Commercial Rates



The Proposed Sewer Rate table is listed below for both residential and commercial users. The cost of service rate structure for the sewer fund coincides with the water metered rate change to reflect a billing structure based on usage as opposed to a flat rate.

### Summary of Proposed Sewer Rates

Rate Structure		Current 09/10	Proposed Rates				
			10/11	11/12	12/13	13/14	14/15
<b>Non-Metered Flat Rates (per customer)</b>			<b>Current Rate Structure</b>		<b>Cost-of-Service Rate Structure</b>		
Single Family Residential	\$/acct.	\$19.88	\$20.68	\$21.50	\$24.51	\$25.49	\$26.51
Multiple Family Residential							
Flat Rate (per account)	\$/acct.	NA	NA	NA	\$1.03	\$1.07	\$1.11
Flat Rate (per dwelling unit)	\$/DU	17.83	\$18.54	\$19.28	14.96	\$15.56	\$16.19
Typical Flat Rate per unit (in a Fourplex)	\$/DU <sup>1</sup>	17.83	18.54	19.28	15.22	\$15.83	\$16.46
<b>Commercial (Metered) Rates<sup>2</sup></b>							
Flat Rate (per account)		NA	NA	NA	\$1.03	\$1.07	\$1.11
Commercial Rate (per hcf of water use)							
Low-Strength (Group 2)	\$/hcf	\$1.50	\$1.56	\$1.62	\$1.04	\$1.08	\$1.12
Medium-Strength (Group 3)	\$/hcf	1.50	1.56	1.62	1.53	1.59	1.65
High-Strength (Group 4)	\$/hcf	1.50	1.56	1.62	2.71	2.82	2.93
Minimum Commercial Charge	\$/acct.	1.50	1.56	1.62	24.51	25.49	26.51

Rate increases cannot exceed the proposed rates shown above for water and/sewer, but rate increases can be below the amounts shown. If the water meter installation project bid is below the estimated costs or if the financing is at a lower interest rate for additional sources are received, the City may not need to increase rates to the amounts shown.

## Compliance with Proposition 218

In 1996 California voters approved Proposition 218 which amended the state constitution as it relates to the passage of property related fees. Today, "Prop218" requires that local governments follow a strictly defined process when setting fees such as water and sewer bills. The City must 1) inform property owners that a proposed rate increase is being considered, 2) clearly demonstrate the basis on which these fees are calculated, and 3) hold a public hearing at least 45 days after notice where the City hears all protests to the rate increase. Water and sewer rates are subject to "majority protest" meaning they **cannot be passed** if a majority of property owners impacted by the rate change submit **written** protest to the City opposing the increase.

### **When will the rate changes take place?**

If approved the rate change would begin July 1, 2010 and subsequent changes would occur annually thereafter.

### **Concerns, Please Contact Us**

If you have questions or comments about the proposed water and/or sewer rate increases or wish to protest, you may:

Attend the Public Hearing on June 2, 2010 at 6:30 P.M. which will be held at the Frank A. Bergon Senior Center located at 238 South D Street, Madera, California 93638.

**Write:** Written protests against the proposed rate change have to identify the address of the impacted property and include the signature(s) of the property owner(s). If the City receives written protests against the proposed water and/sewer rates by the majority of the affected property owners prior to the end of the hearing, the Council will not approve the change. In compliance with Proposition 218, only one protest for each property will be counted. A written protest regarding the rate increase in water and sewer services may be mailed to:

City of Madera  
City Clerk Office  
205 W. Fourth Street  
Madera, CA 93637

Should you have any question regarding the proposed rate changes, please call the following number (559) 661-5454.